

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 PM-04 SSO-00 COME-00
TRSE-00 INR-07 INRE-00 NSCE-00 NSC-05 SS-15 /055 W
-----123957 091138Z /10
O 091030Z JUL 77
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC IMMEDIATE 1426

C O N F I D E N T I A L SECTION 1 OF 2 BELGRADE 4609

FOR EXIM AND VEST FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EFIN, US, YO
SUBJECT: SUPER GUARANTEES, EXIM, AND EMBASSY BELGRADE

REF: STATE 156590

1. LET ME BEGIN THIS MESSAGE--WHICH EXIM, AT LEAST, IS
NOT GOING TO LIKE--WITH A DISCLAIMER. THIS EMBASSY HOLDS
NO BRIEF FOR YUGOSLAV ACTIONS ON THE QUESTION OF
SUPERGUARANTEES. THEY ARE INEXCUSABLE.
--THE LAW, WHICH RULES OUT CONTINUATION OF BLANKET
ISSUANCE OF SUPERGUARANTEES, WAS PASSED WITHOUT ANY
ADVANCE NOTICE TO USG, LET ALONE CONSULTATION, EVEN
THOUGH IT UNDERCUT A LONGSTANDING AGREEMENT BETWEEN
EXIM AND THE YUGOSLAV FINANCE MINISTRY.
--DURING THE ALBRIGHT VISIT THE YUGOSLAVS REFUSED TO
PROVIDE TEXTS OF THE NEW LAW OR ALLOW EXIM'S LAWYER TO
MEET WITH HIS COUNTERPARTS TO DISCUSS THE LAW AND ITS
IMPLICATIONS.
--AFTER FIRST SUGGESTING CONSULTATIONS ON THE
PROBLEM WITH EXIM PRIOR TO FINMIN CEMOVIC'S
APRIL VISIT TO WASHINGTON, AND AFTER AGREEING
THAT EXIM WOULD PROVIDE ANY AGENDA FOR SUCH A
MEETING, THE YUGOSLAVS IGNORED EXIM'S DRAFT PROPOSED
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AGENDA AND CANCELLED THE BILATERAL APRIL MEETINGS FOR
CEMOVIC. SUBJECT WAS RAISED AGAIN WITH THIS EMBASSY
ONLY AFTER EXIM'S INITIAL TELEX SUGGESTED THAT BECAUSE
OF SUPERGUARANTEE PROBLEMS THERE MIGHT BE DIFFICULTIES
WITH THE SALE OF WIDE BODY JETS. STOJILJKOVIC, IN
A MEETING WITH EMBASSY OFFICERS, TOOK A VERY HARD
LINE, I.E., THAT EXIM MUST RECOGNIZE THE "NEW REALITY"

THAT THERE WOULD BE NO MORE SUPERGUARANTEES EXCEPT FOR WIDE BODIES AND NIKSIC.

2. SO, LET US ALL AGREE THAT THE GOY HAS ACTED IN BOTH A SHABBY AND CHILDISH MANNER. BUT PIQUE IS A POOR SUBSTITUTE FOR POLICY. HOWEVER OUTRAGEOUS YUGOSLAV TACTICS MAY HAVE BEEN, THE USG RESPONSE SHOULD BE A REASONED ONE; IT SHOULD TAKE INTO ACCOUNT THE STATUS OF OTHER ISSUES OUTSTANDING BETWEEN OUR TWO GOVERNMENTS, AND BE BASED ON THE TOTALITY OF OUR INTERESTS HERE. AT THE PRESENT MOMENT WE ARE WELL ON THE WAY TO A SERIOUS DETERIORATION OF OUR BILATERAL RELATIONSHIP: A) THE MIHAIOVIC STATUE; B) CONTINUED ACTS OF TERRORISM AGAINST YUGOSLAV DIPLOMATS IN THE US; C) POSSIBLE REVISION OF OPIC RULES WHICH WOULD ADVERSELY AFFECT YUGOSLAVIA. AND THERE IS, AS WELL, A SERIOUS MATTER TOO SENSITIVE TO MENTION HERE. IN SHORT, WE ARE IN THE PROCESS OF BEING NIBBLED TO DEATH BY DUCKS (OR ALLIGATORS) AND OUGHT NOT NOW SHOOT OURSELVES IN THE FOOT WITHOUT AT LEAST BEING CERTAIN THAT WE ARE AIMING IN THAT DIRECTION.

3. BEFORE WE DELIVER THE MOORE LETTER TO THE YUGOSLAVS (I HAVE INSTRUCTED THAT IT NOT, REPEAT NOT, BE DELIVERED), WE WANT TO MAKE CERTAIN THAT WASHINGTON AGENCIES HAVE THOUGHT THROUGH ITS IMPLICATIONS. IT IS THE CONSIDERED CONFIDENTIAL

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VIEW OF OFFICERS HERE FAR BETTER VERSED THAN I IN THE PECULIARITIES OF YUGOSLAV ECONOMIC AND BANKING CIRCLES (E.G., CHARLIE YORK) THAT THE LETTER WOULD BE A SERIOUS AND UNNECESSARY MISTAKE. IT WOULD BE TAKEN BY THE GOY AS A SIGNAL THAT THE USG HAS LOST INTEREST IN EXPANDING ECONOMIC/COMMERCIAL TIES WITH YUGOSLAVIA, AND A CONTRADICTION OF THE SPIRIT OF THE MONDALE VISIT AND THE NEW ADMINISTRATION'S POLICY STATEMENTS ABOUT THIS COUNTRY.

4. FOR MY OWN PART, I MUST SAY THAT I FIND PARAGRAPH 2 OF REFTTEL CONFUSED AND CONTRADICTORY. IF EXIM IS "PREPARED TO DISCUSS MATTER WITH YUGOSLAV OFFICIALS", THEN WHY NOT

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FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC IMMEDIATE 1427

C O N F I D E N T I A L SECTION 2 OF 2 BELGRADE 4609

FOR EXIM AND VEST FROM AMBASSADOR

NOW AS WELL AS IN SEPTEMBER? A TWO MONTH DELAY MAY MAKE
THE US SIDE FEEL BETTER, BUT IT WILL ONLY IRRITATE
THE YUGOSLAVS, AND IT WON'T RESOLVE THE PROBLEM. AND
ANY CLAIM THAT A DEMONSTRATED WILLINGNESS TO TALK NOW
INSTEAD OF IN SEPTEMBER WILL GIVE AN "IMPRESSION THAT
EXIM BANK IS NOW PREPARED TO MAKE CONCESSIONS.." IS,
WITH ALL DUE RESPECT, NONSENSE. THE ISSUE WILL BE THE
SAME (BUT PROBABLY IN MORE EXACERBATED FORM) THEN AS
NOW, SO LET'S GET AT IT.

5. THUS, THIS EMBASSY CONTINUES TO BELIEVE THAT
DISCUSSIONS OF THE SORT PROPOSED BY STOJILJKOVIC ARE
ESSENTIAL IF THE SUPERARANTEE PROBLEM IS TO BE KEPT
IN PROPER PERSPECTIVE AND NOT ALLOWED TO DEVELOP INTO
A MAJOR BILATERAL ISSUE. WE THEREFORE REITERATE OUR
RECOMMENDATION THAT EXIM SEND A TEAM TO BELGRADE BEFORE
THE END OF JULY. ONLY THROUGH FACE-TO-FACE NEGOTIATIONS
AT THE EXPERT LEVEL WILL IT BE POSSIBLE TO EXPLORE OUR
DIFFERENCES AND, HOPEFULLY, FIND ACCEPTABLE SOLUTIONS
TO OUR PROBLEM.

6 THE SUPERGUARANTEE ITSELF IS A USEFUL TOOL THAT
OUGHT TO BE PRESERVED IF AT ALL POSSIBLE. HOWEVER,
IT IS A MEANS TO AN END, I.E., ASSURANCES OF CONVERTIBLE
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CURRENCY AVAILABILITY TO REPAY EXIM LOANS. IT IS NOT
NOW--NOR HAS IT EVER BEEN--A SUBSTITUTE FOR A THOROUGH
ANALYSIS OF THE ECONOMIC VIABILITY OF THE PROJECT
BEING FINANCED. EXIM ALREADY ASSURES ITSELF THAT
PROPOSED PROJECTS ARE FEASIBLE, AND THAT THEY WILL
GENERATE ENOUGH DINAR AND HARD CURRENCY REVENUES TO
REPAY LOANS. NO DOUBT IT WILL DO SO IN THE FUTURE.
NOR ARE SUPERGUARANTEES UNIVERSALLY REQUIRED BY EXIM;
INDEED, IN A LARGE NUMBER OF MARKETS THEY ARE

CONSPICIOUS BY THEIR ABSENCE. OUR POINT HERE IS THAT A MODIFIED SUPERGUARANTEE OR SOME OTHER MECHANISM MAY WELL MEET EXIM'S NEEDS EQUALLY WELL. WE BELIEVE THESE POSSIBILITIES SHOULD BE THOROUGHLY EXPLORED WITHIN THE USG BEFORE WE CONVEY TO THE YUGOSLAVS ANY FLAT STATEMENT THAT A SUPERGUARANTEE IN ITS PRESENT FORM MUST BE CONTINUED.

7. FINALLY, PARA 3 OF REFTTEL IS UNACCEPTABLE. I DID NOT COME HERE TO RUN A POST-OFFICE--EVEN A WELL-INFORMED ONE. NOR DID I EXPECT I WOULD BE FORCED, SO SOON, TO REFER TO THE LONG HISTORY OF PRESIDENTIAL DIRECTIVES GIVING CHIEFS-OF-MISSION RESPONSIBILITY FOR AND AUTHORITY OVER USG ACTIVITIES IN THE COUNTRY TO WHICH THEY ARE ASSIGNED. BUT I DO HEREBY INVITE ATTENTION TO THOSE DIRECTIVES--WHICH HAVE NOT, SO FAR AS I KNOW, BEEN RESCINDED. AS I READ THEM, THEY REQUIRE THAT ALL USG AGENCIES, INCLUDING THE EXIM BANK, COORDINATE THEIR ACTIVITIES IN YUGOSLAVIA THROUGH THE EMBASSY. IT IS NOT ENOUGH MERELY TO INFORM US; WE EXPECT TO BE CONSULTED IN ADVANCE ABOUT POLICY DECISIONS WHICH AFFECT OUR BROADER INTERESTS HERE. DAY-BY-DAY ADMINISTRATIVE MESSAGES, WHICH DEAL WITH SERVICING OF LOANS AND THEIR
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ADMINISTRATION DO NOT CONCERN US AND WE ARE QUITE SATISFIED TO BE INFORMED AFTER THE FACT. BUT THOSE WHICH DEAL WITH POLICY, SUCH AS TELEX WHICH TRIGGERED BELGRADE 4304, HAVE IMPLICATIONS EXTENDING BEYOND EXIM'S OWN INTERESTS AND OPERATIONS. ALL SUCH MESSAGES, AS A MATTER OF RIGHT NOT GRACE, MUST BE CLEARED THROUGH EMBASSY.
EAGLEBURGER

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